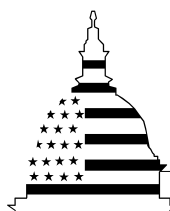


May 2008

FINANCIAL AUDIT

Congressional Award Foundation's Fiscal Years 2007 and 2006 Financial Statements



G A O

Accountability ★ Integrity ★ Reliability

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United States Government Accountability Office
Washington, D.C. 20548

May 15, 2008

The President of the Senate
The Speaker of the House of Representatives

This report presents our opinion on the financial statements of the Congressional Award Foundation (the Foundation) for the fiscal years ended September 30, 2007, and 2006. These financial statements are the responsibility of the Foundation. This report also presents (1) our opinion on the effectiveness of the Foundation's related internal control as of September 30, 2007, and (2) the results of our tests of the Foundation's compliance in fiscal year 2007 with selected provisions of laws and regulations. We conducted our audit pursuant to section 107 of the Congressional Award Act, as amended (2 U.S.C. § 807), and in accordance with U.S. generally accepted government auditing standards.

If you or your staff have any questions concerning this report, please contact me at (202) 512-3406 or by e-mail at sebastians@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Julie Phillips, Assistant Director; Sunny T. Chang; Vivian M. Gutierrez; and Peggy Smith.

Steven J. Sebastian
Director
Financial Management and Assurance



United States Government Accountability Office
Washington, D.C. 20548

The President of the Senate
The Speaker of the House of Representatives

We have audited the accompanying statements of financial position of the Congressional Award Foundation (the Foundation) as of September 30, 2007, and 2006, and the related statements of activities and statements of cash flows for the fiscal years then ended. We found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- the Foundation had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations; and
- no reportable instances of noncompliance with laws and regulations we tested.

The following sections provide additional detail about our conclusions and the scope of our audit.

Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Foundation's assets, liabilities, and net position as of September 30, 2007, and 2006, and the results of its activities and its cash flows for the fiscal years then ended.

Opinion on Internal Control

The Foundation maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2007, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented or detected on a timely basis. Our opinion is based on criteria established in the *Standards for Internal Control in the Federal Government*.¹

¹GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999).

Compliance with Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Significant Matters

In our previous report on the results of our audit of the Foundation's fiscal years 2006 and 2005 financial statements, we discussed two significant matters related to the Foundation's financial statements. These matters concerned (1) the Foundation's ability to continue as a going concern, which has been resolved, and (2) inconsistency between functional expenses reported in the Foundation's annual information return (Form 990) filed with the Internal Revenue Service (IRS) and the audited financial statements for fiscal year 2005.

Resolution of the Foundation's Ability to Continue as a Going Concern

Our previous report on the results of our audit of the Foundation's fiscal years 2006 and 2005 financial statements raised substantial doubt about the Foundation's ability to continue as a going concern because of the continued deterioration of its financial condition. In fiscal year 2006, the Foundation had incurred a loss of almost \$44,000 in part because of increased salary costs and fund-raising expenses. Two employees of the Foundation had loaned funds to the organization during fiscal year 2006 to cover operating costs and payroll needs. Also, to help fund operating costs, the Foundation sold \$15,000 worth of equity securities in January 2006 and an additional \$20,000 in equity securities in November 2006. As of September 30, 2006, the Foundation's net assets had declined to under \$8,500.

During fiscal year 2007, the Foundation made significant improvements in its financial position. A substantial increase in contribution revenue, coupled with a decline in operating expenses, resulted in the Foundation increasing its net assets to nearly \$125,000 by September 30, 2007. As a result, for fiscal year 2007, we no longer report the Foundation's ability to continue as a going concern as a significant matter.

Inconsistency between Information Return Filed with IRS and Audited Financial Statements

In our previous report on the results of our audit of the Foundation's fiscal years 2006 and 2005 financial statements, we reported that the Foundation provided a statement of functional expenses on its annual Form 990, Return of Organization Exempt from Income Tax,² filed with IRS for fiscal year 2005 that differed significantly from functional expenses as reported in its audited financial statements for the same year.³ The Form 990 reported total program-related expenses of \$392,605, while the audited financial statements for the same period reported total program expenses of \$282,245—a difference of \$110,360. We stated in our previous audit report that readers of the audited financial statements and Form 990 may view program expenses more favorably than administrative and fund-raising expenses when making decisions regarding charitable contributions. Therefore, the accuracy of the Foundation's allocation of expenses may inappropriately influence readers of both the financial statements and the Form 990 information return in making charitable contribution decisions.

In March 2008, the Foundation filed an amended Form 990 with IRS for fiscal year 2005. In reviewing the amended return, we found that the presentation of functional expenses in the amended Form 990 still differed materially from the audited financial statements for fiscal year 2005. However, the Foundation has filed a Form 990 for the subsequent year (fiscal year 2006) that agrees with the audited financial statements for that year. As this most current Form 990 is available for use by the public in making decisions regarding charitable contributions to the Foundation, we do not believe this continues to be a significant matter.

²IRS Form 990 is used by tax-exempt organizations to provide IRS with the information required by section 6033 of the Internal Revenue Code (I.R.C.). An organization's completed Form 990 is available for public inspection as required by section 6104 of the I.R.C. Some members of the public rely on the Form 990 as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, the return should be complete and accurate and fully describe the organization's programs and accomplishments. Form 990 is due by the 15th day of the 5th month after the end of the organization's fiscal year.

³The Foundation filed its Form 990 for fiscal year 2005 on July 31, 2006—approximately 2-½ months after our report on the results of our audit of the Foundation's fiscal year 2005 and 2004 financial statements was released. See GAO, *Financial Audit: Congressional Award Foundation's Fiscal Years 2006 and 2005 Financial Statements*, [GAO-07-786](#) (Washington, D.C.: May 15, 2007).

Objectives, Scope, and Methodology

The Foundation's management is responsible for

- preparing the annual financial statements in conformity with U.S. generally accepted accounting principles;
- establishing, maintaining, and assessing the Foundation's internal control to provide reasonable assurance that the Foundation's control objectives are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles and (2) management maintained effective internal control, the objectives of which are the following:

- **Financial reporting:** Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- **Compliance with laws and regulations:** Transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements.

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by Foundation management;
- evaluated the overall presentation of the financial statements and notes;

-
- obtained an understanding of the Foundation and its operations, including its internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations;
 - tested relevant internal control over financial reporting and compliance and evaluated the design and operating effectiveness of internal control; and
 - tested compliance with selected provisions of the Congressional Award Act, as amended.

We did not evaluate internal controls relevant to operating objectives, such as controls relevant to ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to the Foundation. We limited our tests of compliance to those provisions of laws and regulations that we deemed to have a direct and material effect on the financial statements for the fiscal years ended September 30, 2007, and 2006. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards.

Foundation's Comments

We provided a draft of our report to Congressional Award Foundation officials for their review and comment. Foundation officials agreed with the content of our report.



Steven J. Sebastian
Director
Financial Management and Assurance

May 6, 2008

Financial Statements

Statements of Financial Position

**The Congressional Award Foundation
Statements of Financial Position
As of September 30, 2007, and 2006**

	2007	2006
Assets		
Cash and cash equivalents	\$ 15,937	\$ 8,561
Certificate of deposit	59,610	56,952
Contributions receivable (note 3)	132,600	51,300
Prepaid expense	2,602	2,972
Congressional Award Fellowship Trust (note 4)	29,118	38,852
Equipment, furniture, and fixtures, net (note 5)	29,355	5,981
Total assets	<u>\$ 269,222</u>	<u>\$ 164,618</u>
Liabilities and net assets		
Accounts payable	\$ 14,662	\$ 11,242
Line of credit (note 6)	100,000	100,000
Accrued payroll, related taxes, and leave	7,430	17,778
Loan from National Director (note 7)	664	23,321
Liability for tax penalty and interest (note 8)	3,317	3,800
Capital lease liability (note 9)	18,334	0
Total liabilities	<u>144,407</u>	<u>156,141</u>
Net assets		
Unrestricted	102,058	(16,985)
Temporarily restricted (note 10)	22,757	25,462
Total net assets	<u>124,815</u>	<u>8,477</u>
Total liabilities and net assets	<u>\$ 269,222</u>	<u>\$ 164,618</u>

The accompanying notes are an integral part of these financial statements.

Statements of Activities

The Congressional Award Foundation
Statements of Activities
For the Fiscal Years Ended September 30, 2007, and 2006

	<u>2007</u>	<u>2006</u>
Changes in unrestricted net assets:		
Operating revenue and other support		
Contributions	\$ 526,825	\$ 359,520
Contributions - In-kind (note 11)	71,486	128,660
Program and other revenues	179,776	162,410
Interest and dividends	3,131	2,568
Net assets released from restrictions (note 10)	2,704	3,106
Total operating revenue and other support	<u>783,922</u>	<u>656,264</u>
Operating expenses (note 12)		
Salaries, benefits, and payroll taxes	282,547	312,654
Program, promotion, and travel	38,886	14,164
Fund-raising expense	111,504	148,535
Gold Award ceremony	111,998	100,083
Professional fees	52,736	47,354
Depreciation and amortization	4,853	3,823
Board of Directors expense	1,062	630
Administrative and other expense	71,087	64,100
Total operating expenses	<u>674,673</u>	<u>691,343</u>
Subtotal	109,249	(35,079)
Other changes		
Net unrealized investment losses	(3,776)	(14,343)
Net realized investment gains	13,569	8,823
Increase/(decrease) in unrestricted net assets	<u>119,042</u>	<u>(40,599)</u>
Changes in temporarily restricted net assets:		
Net assets released from restrictions (note 10)	(2,704)	(3,106)
Decrease in temporarily restricted net assets	<u>(2,704)</u>	<u>(3,106)</u>
Increase/(decrease) in net assets	116,338	(43,705)
Net assets at beginning of year	8,477	52,182
Net assets at end of year	<u>\$ 124,815</u>	<u>\$ 8,477</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

The Congressional Award Foundation
Statements of Cash Flows
For the Fiscal Years Ended September 30, 2007, and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 116,338	\$ (43,705)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	4,853	3,823
Net unrealized losses on investments	3,776	14,343
Net realized gains on sale of investments	(13,569)	(8,823)
Interest income on certificate of deposit and trust fund	(3,131)	(1,939)
Change in operating assets:		
Contributions receivable	(81,300)	(6,300)
Prepaid expenses	370	(92)
Change in operating liabilities:		
Accounts payable	3,420	(4,575)
Accrued payroll, related taxes and leave	(10,348)	7,806
Liability for tax penalty and interest	(483)	3,800
Net cash provided/(used) in operating activities	<u>19,926</u>	<u>(35,662)</u>
Cash flows from investing activities:		
Purchase of computer equipment	(8,098)	0
Proceeds from sale of investments	20,000	14,159
Net cash provided by investing activities	<u>11,902</u>	<u>14,159</u>
Cash flows from financing activities:		
Principal payments under capital lease obligation	(1,795)	0
Proceeds from loans	0	27,821
Repayment of loans	(22,657)	(4,500)
Net cash (used)/provided by financing activities	<u>(24,452)</u>	<u>23,321</u>
Net increase in cash and cash equivalents	7,376	1,818
Cash and cash equivalents, beginning of year	<u>8,561</u>	<u>6,743</u>
Cash and cash equivalents, end of year	<u>\$ 15,937</u>	<u>\$ 8,561</u>
Supplemental data:		
Cash paid during year for interest	<u>\$ 12,590</u>	<u>\$ 8,727</u>

Supplemental data on noncash investing and financing activities:

A capital lease obligation of \$20,129 was incurred when the Foundation entered into a lease for new equipment.

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2007, and 2006

Note 1. Organization

The Congressional Award Foundation (the Foundation) was formed in 1979 under Public Law 96-114 and is a private, nonprofit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code established to promote initiative, achievement, and excellence among young people in the areas of public service, personal development, physical fitness, and expedition. New program participants totaled over 3,200 in fiscal year 2007. During fiscal year 2007, there were over 23,000 participants registered in the Foundation's Award program. In December, 2005, the President signed Public Law 109-143, which reauthorized the Congressional Award Foundation through September 30, 2009.

Note 2. Summary of Significant Accounting Policies**A. Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles applicable to not-for-profit organizations.

B. Cash Equivalents and Certificate of Deposit

The Foundation considers funds held in its checking account and all highly liquid investments with an original maturity of 3 months or less to be cash equivalents. Money market funds held in the Foundation's Congressional Award Fellowship Trust (the trust) are not considered cash equivalents for financial statement reporting purposes.

The Foundation has a \$50,000 certificate of deposit, which is pledged as collateral on the \$100,000 line of credit (see note 6).

C. Contributions Receivable

Unconditional promises to give are recorded as revenue when the promises are made. Contributions receivable to be collected within less than 1 year are measured at net realizable value.

D. Equipment, Furniture and Fixtures, and Related Depreciation

The Foundation capitalizes equipment, furniture, and fixtures with an individual asset acquisition cost of more than \$2,500. Assets are stated at cost, and depreciation is computed using the straight-line method over estimated useful lives of 5 to 10 years. Expenditures for major additions and betterments are capitalized; and expenditures for maintenance and repairs are charged to expense when incurred. Upon retirement or disposal of assets, the cost and accumulated

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2007, and 2006

depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense, as appropriate. Donated equipment is recorded at fair value.

The capital lease liability represents the lesser of the net present value of future lease payments or the fair value of the asset acquired. Amortization of the capital lease is included in depreciation expense.

E. Congressional Award Fellowship Trust - Investments

The trust investments consist of equity securities and money market funds, which are stated at fair value.

F. Classification of Net Assets

The net assets of the Foundation are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for the general support of the Foundation.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for specific programs or future periods.

The Foundation has no permanently restricted net assets.

G. Revenue Recognition

Contribution revenue is recognized when received or promised and recorded as temporarily restricted if the funds are received with donor or grantor stipulations that limit the use of the donated assets to a particular purpose or for specific periods. When a stipulated time restriction ends or purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

H. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis as described in note 12. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

I. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2007, and 2006

Note 3. Contributions Receivable

At September 30, 2007, and 2006, promises to give totaled \$132,600 and \$51,300, respectively, none of which were temporarily restricted by the donors. All amounts were due within 1 year. All but \$10,000 of the \$132,600 receivable at September 30, 2007, was received by May 1, 2008.

Note 4. Congressional Award Fellowship Trust

The trust was established in 1990 to benefit the charitable and educational purposes of the Foundation. During the fiscal year ended September 30, 2007, the trustees authorized using \$20,000 of the trust fund to support fiscal year 2007 operations.

As of September 30, 2007, and 2006, the trust fund's investments at fair value consisted of the following:

<u>Description</u>	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Equity and debt securities	\$ 27,414	\$ 36,947
Money market funds	<u>1,704</u>	<u>1,905</u>
Total	<u>\$ 29,118</u>	<u>\$ 38,852</u>

Activity in the trust fund for the fiscal years ended September 30, 2007, and 2006, was as follows:

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 473	\$ 629
Net realized gains	13,569	8,823
Net unrealized losses	<u>(3,776)</u>	<u>(14,343)</u>
Total investment gains (losses)	10,266	(4,891)
New contributions to investment fund	0	1,000
Investments and earnings transferred to current operations	<u>(20,000)</u>	<u>(15,788)</u>
Net change in trust fund investments	(9,734)	(19,679)
Trust fund investments, beginning of year	<u>38,852</u>	<u>58,531</u>
Trust fund investments, end of year	<u>\$ 29,118</u>	<u>\$ 38,852</u>

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2007, and 2006

Note 5. Equipment, Furniture, and Fixtures

Equipment, furniture, and fixtures as of September 30, 2007, and 2006, is shown in the schedule below.

	September 30,	
	<u>2007</u>	<u>2006</u>
Computer software	\$25,868	\$17,771
Equipment - capital lease	20,129	0
Furniture and equipment	76,576	76,576
Contributed equipment	15,100	15,100
Accumulated depreciation	(106,822)	(103,466)
Accumulated amortization - capital lease	(1,496)	0
	<u>\$29,355</u>	<u>\$5,981</u>
Equipment, furniture, and fixtures, net		

Equipment under capital lease is pledged as collateral under the terms of the lease agreements.

Note 6. Line of Credit

The Foundation has a \$100,000 revolving line of credit with its bank that bears interest at 8.75 percent per annum. Interest paid on this line of credit during fiscal years 2007 and 2006 was \$9,620 and \$8,727, respectively. The line of credit is partially secured by the Foundation's investment in a \$50,000 certificate of deposit held by the same bank. As of September 30, 2007, and 2006, the outstanding balance on the line of credit was \$100,000.

Note 7. Loan from National Director

During fiscal year 2006, the National Director loaned the Foundation \$23,321. By December 2006, the amount had been repaid. During fiscal year 2007, the National Director used her credit card to purchase items for the Foundation, of which \$664 remained unpaid as of September 30, 2007.

Note 8. Liability for Tax Penalty and Interest

The Foundation filed its annual Internal Revenue Service Form 990 information return for fiscal year 2005 in July 2006. The Internal Revenue Service issued a letter to the Foundation in December 2006, advising it that the information return was filed late and penalties and interest had accrued in the amount of \$3,580 as of January 8, 2007. On January 24, 2007, the Foundation appealed this decision. On February 23, 2007, the Internal Revenue Service advised the Foundation that it had not yet made a determination and was still reviewing the appeal. In November 2007, the Internal Revenue Service forwarded the request and all applicable documents to an appeals

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2007, and 2006

coordinator for final determination. The tax liability of \$3,800 was reduced by a \$483 holdback from the Internal Revenue Service, leaving a balance owed at September 30, 2007, of \$3,317.

On March 7, 2008, the Foundation received notification from the Appeals Section of the Internal Revenue Service that its request for appeal regarding the accrual of penalties and interest stemming from the Foundation's late filing of its fiscal year 2005 Form 990 information return was declined. On March 18, 2008, the Foundation paid the full amount of the obligation of \$3,520.

Note 9. Capital Lease Liability

During fiscal year 2007, the Foundation entered into a capital lease for new computer equipment for \$20,129.

The following is a schedule (by fiscal year) of future minimum lease payments under capital leases together with the present value of the net minimum lease payments for the 4-year period, net of interest, as of September 30, 2007.

Years ending September 30:	
2008	\$7,197
2009	7,197
2010	6,973
2011	<u>3,886</u>
Total minimum lease payments	25,253
Less: amount representing interest	<u>(6,919)</u>
Present value of net minimum lease payments	<u>\$18,334</u>

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, 2007, and 2006, were available for the following programs and future periods:

	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Puerto Rico Council development	\$ 16,237	\$ 17,396
Nevada Council development	<u>6,520</u>	<u>8,066</u>
Total net assets temporarily restricted for use	<u>\$ 22,757</u>	<u>\$ 25,462</u>

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2007, and 2006

Net assets released from restrictions during the fiscal years ended September 30, 2007, and 2006, were as follows:

	<u>September 30,</u> <u>2007</u>	<u>2006</u>
Puerto Rico Council development	\$ 1,159	\$ 0
Nevada Council development	1,545	2,315
Oklahoma Council development	<u>0</u>	<u>791</u>
Total temporarily restricted net assets released for use	<u>\$ 2,704</u>	<u>\$ 3,106</u>

Note 11. In-kind Contributions

During fiscal year 2007, the Foundation received in-kind (noncash) contributions from donors. Donated professional services are accounted for as contribution revenue and as current period operating expenses. During fiscal years 2007 and 2006, the Foundation employed the services of unpaid interns. Amounts for the intern services are not included in these financial statements because the value of the services is not readily determinable.

The value of the in-kind contributions recognized was \$71,486 and \$128,660 for fiscal years 2007 and 2006, respectively. These noncash contributions are as follows:

	<u>2007</u>	<u>2006</u>
Professional services:		
Legal	\$ 30,000	\$ 33,354
Web-hosting	13,520	8,680
Fund-raising	<u>27,966</u>	<u>86,626</u>
Total in-kind contributions	<u>\$ 71,486</u>	<u>\$128,660</u>

In addition, Section 106 (e) of the Congressional Award Act, as amended, provides that "the Board may benefit from in-kind and indirect resources provided by the Offices of Members of Congress or the Congress." Resources so provided include use of office space, office furniture, and certain utilities. In addition, Section 102 of the Congressional Award Act, as amended, provides that the United States Mint may charge the United States Mint Public Enterprise Fund for the cost of striking Congressional Award Medals. The costs of these resources cannot be readily determined and, thus, are not included in the financial statements.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2007, and 2006

Note 12. Expenses by Functional Classification

The Foundation has presented its operating expenses by natural classification in the accompanying Statements of Activities for the fiscal years ending September 30, 2007, and 2006. Presented below are the Foundation's expenses by functional classification for the fiscal years ended September 30, 2007, and 2006.

	<u>2007</u>	<u>2006</u>
Program activities	\$ 433,326	\$ 391,296
Fund-raising activities	127,041	169,276
Administrative activities	<u>114,306</u>	<u>130,771</u>
Total	<u>\$ 674,673</u>	<u>\$ 691,343</u>

Note 13. Employee Retirement Plan

For the benefit of its employees, the Foundation participates in a voluntary 403(b) tax-deferred annuity plan, which was activated on August 27, 1993. Under the plan, the Foundation may, but is not required to, make employer contributions to the plan. There were no contributions to the plan in fiscal years 2007 and 2006.

Note 14. Related Party Activities

The Foundation engaged in numerous transactions with related parties during fiscal years 2007 and 2006.

During fiscal years 2007 and 2006, the Foundation had an agreement with a professional fund-raiser. The professional fund-raiser's spouse is on the board of directors of the Foundation. In May 2006, the fund-raising commission was changed from a commission rate of 15 percent to a monthly retainer of \$1,500. Disbursements by the Foundation during fiscal years 2007 and 2006 to the related party totaled \$18,000 and \$9,000, respectively.

During fiscal years 2007 and 2006, an ex officio director of the board provided pro bono legal services to the Foundation. The value of legal services has been included in the in-kind contributions and professional fees line items (see note 11).

During fiscal year 2006, the board chairman did not request reimbursement of airfare for his attendance at statewide ceremonies, the value of which was \$578. During fiscal year 2007, there were no in-kind services provided by the board chairman.

During fiscal year 2006, a board member, through his company, provided press releases at no cost, the value of which was \$2,500. During fiscal year 2007, the board member retired from the board and did not provide in-kind services.

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During fiscal years 2007 and 2006, a board member did not request reimbursement of expenses for participants to attend Mississippi ceremonies. The value for fiscal years 2007 and 2006 was \$2,800 and \$2,370, respectively.

During fiscal year 2006, a board member, through his company, provided filming of the Gold Award Ceremony, the value of which was \$10,000. During fiscal year 2007, the board member did not film the Gold Award Ceremony.

During fiscal year 2006, a board member, through his company, paid for a fund-raising breakfast with the New Jersey delegation, the value of which was \$1,049. During fiscal year 2007, this board member made a direct contribution to the Foundation to cover costs associated with a breakfast with the New Jersey delegation in the amount of \$1,416.

During fiscal year 2007, a board member, through his company, paid for fund-raising events, the value of which was \$1,548. This board member, through his company, also provided a prize for a fund-raising event, the value of which was \$136.

During fiscal year 2006, the National Director used her credit card to cover costs of \$23,321 associated with the Gold Award Ceremony, which was repaid in December 2006. During fiscal year 2007, the National Director used her credit card for all credit card purchases during the year, as the Foundation does not hold a credit card. She was reimbursed for all credit card purchases except for a balance of \$664 that was still owed to her as of September 30, 2007.

During fiscal year 2006, the Controller provided a loan to the Foundation in the amount of \$4,500. This was repaid during fiscal year 2006. In addition, the Controller, through his professional tax business, prepared the Foundation's annual Internal Revenue Service Form 990 information returns. His firm was compensated \$940 and \$750 during fiscal years 2007 and 2006, respectively.

Note 15. Subsequent Events

In October 2007, the Board of Directors of the Foundation requested that the trustees of the Congressional Award Trust approve distribution of the assets of the trust to the Foundation, approved termination the trust, and directed that the assets of the trust (together with the certificate of deposit and other funds) be used for repayment of the Foundation's line of credit. The trustees approved distribution of the assets of the trust, and in November 2007, the Foundation received such assets and the trust was terminated.

On October 4, 2007, the Board of Directors elected Mr. Paxton Baker as Chairman of the National Board of Directors and Mr. John Falk was elected Chairman Emeritus.

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In February 2008, the Foundation negotiated a new line of credit for \$50,000 that bears interest at prime plus 2 percent. The \$50,000 certificate of deposit was used to pay down the original \$100,000 line of credit.

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